

**BEFORE THE DEPARTMENT OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE**

IN THE MATTER OF:

**AMERICAN GENERAL LIFE & ACCIDENT
INSURANCE COMPANY**

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No.: 04-091

**ORDER ADOPTING EXAMINATION REPORT WITH
MODIFICATIONS AND DIRECTIVES**

Pursuant to Tenn. Code Ann. §§ 56-1-401, *et seq.*, the Insurance Division of the State of Tennessee Department of Commerce and Insurance (hereinafter referred to as the "Division") has examined certain affairs of American General Life & Accident Insurance Company (hereinafter also referred to as the "Company"), an insurance company domiciled in the State of Tennessee. As a result of an examination conducted as of the 31st day of December, 2001, the examiner-in-charge filed with the Division, on the 30th day of August, 2004, a verified, written report on examination, and a copy of that report has been sent to American General Life & Accident Insurance Company. (The Report on Examination of American General Life & Accident Insurance Company is attached hereto and marked as Exhibit A). The Division received written rebuttals to said examination report from the Company's counsel and the Company on September 2, 2004, and September 8, 2004, respectively. (Copies of the Company's written rebuttals are attached hereto and marked collectively as Exhibit B.)

Pursuant to Tenn. Code Ann. § 56-1-411, said examination report regarding the affairs of American General Property Insurance Company, filed with the Insurance Division of the State of Tennessee Department of Commerce and Insurance on the 30th day of August, 2004, is hereby **ADOPTED** as filed with the following **MODIFICATIONS** and **DIRECTIVES**:

The Report on Examination is hereby **MODIFIED** in the following manner:

1. In the section titled “Comments” and under the subsection titled “Risk Based Capital” as found on page forty-one (41) of the Report on Examination, the column with the heading of “Total Adjusted Capital Per Exam” is deleted in its entirety.
2. In the section titled “Comments” and under the subsection titled “Risk Based Capital” as found on page forty-one (41) of the Report on Examination, the footnote reference of “(2)” in the heading of the column titled “RBC Amount” is deleted.
3. In the section titled “Comments” and under the subsection titled “Risk Based Capital” as found on page forty-one (41) of the Report on Examination, footnotes (1) and (2) are deleted in their entirety.
4. In the section titled “Recommendations” and under the subsection titled “Mortgage Loans”, the second paragraph is deleted in its entirety. The deleted paragraph is replaced by the following paragraph:

“This security was correctly accounted for by the Company in 1999 and reported in Schedule D. It was requalified as a mortgage loan by the Company after it was downgraded by the SVO to a market designation of (5). According to documentation provided by the Company, this security’s RBC factor is 20% if presented as a (5) rated bond. However, this security’s RBC factor is only 1.95% if presented as a mortgage loan. It is recommended that the Company properly classify such investments in future statutory filings in accordance with Statutory Accounting Principles per Tenn. Code Ann. § 56-1-501(g).”

American General Life & Accident Insurance Company is hereby **DIRECTED** to accomplish the following:

1. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-411(b)(1) by maintaining its books and records generally, and its investment records in particular, in such a manner as to allow the Commissioner and/or her deputies convenient and free access to such books and records.
2. The Company is **DIRECTED** to comply with Tenn. Code Ann. § 56-1-501(g) by preparing its financial statements in accordance with the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual, by properly classifying its investments solely based on statutory accounting principles.

The company shall comply with the directives contained in this order within thirty (30) days of its entry.

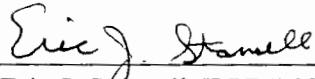
The adoption of this examination report shall not preclude the Department from imposing sanctions against American General Life & Accident Insurance Company for potential violations of the Tennessee Insurance Law which may be revealed in the examination report, it being the intent of this Order Adopting Examination Report With Modifications and Directives merely to adopt the examination report filed by the examiner-in-charge.

It is so **ORDERED**.

ENTERED this the 9th day of September, 2004.

Paula A. Flowers
Paula A. Flowers, Commissioner
Department of Commerce and Insurance
State of Tennessee

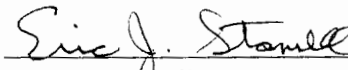
PREPARED FOR ENTRY:



Eric J. Stansell (BPR# 021707)
Staff Attorney
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Davy Crockett Tower, Fifth Floor
Nashville, Tennessee 37243
(615) 741-2199

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing Order Adopting Examination Report as Filed has been messenger mailed to Larry C. Knight, Jr., Assistant Commissioner for Insurance, Department of Commerce and Insurance, and Don Spann, Chief Examiner, Department of Commerce and Insurance, and mailed, first class, postage prepaid, to American General Property Insurance Company, American General Center, Nashville, Tennessee 37250, on this the 9th day of September, 2004.



Eric J. Stansell
Certifying Attorney